



Hawaii Public Housing Authority
Annual and Five-Year Plan
Fiscal Years 2010-2014

FISCAL YEAR 2008 AUDIT

DRAFT

Hawaii Public Housing Authority

Financial Statements

June 30, 2008

Together with Independent Auditor's Report

Submitted by

**THE AUDITOR
STATE OF HAWAII**

Table of Contents

	Page
Independent Auditor's Report	1 -2
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	15
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	18
Reconciliation of the Change in Fund Balances of Governmental Funds to the Statement of Activities	19
Proprietary Funds:	
Statement of Net Assets - Proprietary Funds	20
Reconciliation of the Proprietary Fund Net Assets to the Statement of Net Assets	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	23
Reconciliation of the Change in Fund Balances of Proprietary Funds to the Statement of Activities	25
Statement of Cash Flows - Proprietary Funds	26
Fiduciary Fund:	
Statement of Fiduciary Fund Net Assets	29
Statement of Changes in Fiduciary Net Assets	30
Notes to the Basic Financial Statements	31 - 55

Table of Contents (continued)

	Page
Required Supplementary Information Other Than Management's Discussion and Analysis:	
Budgetary Comparison Schedule – Major Governmental Funds	56
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	58
Supplementary Information --	
Combining Balance Sheet – Nonmajor Governmental Funds	59
Combining Statement of Revenues, Expenditures and	
Changes in Fund Balances – Nonmajor Governmental Funds	60
Combining Statement of Net Assets – Nonmajor Other Enterprise Funds	61
Combining Statement of Revenues and Expenses – Nonmajor Other Enterprise Funds	63
Combining Statement of Changes in Fund Net Assets -	
Nonmajor Other Enterprise Funds	64
Combining Statement of Cash Flows – Nonmajor Other Enterprise Funds	65
Combining Statement of Net Assets – Internal Service Funds	67
Combining Statement of Revenues and Expenses and Changes in Fund	
Net Assets – Internal Service Funds	68
Combining Statement of Cash Flows – Internal Service Funds	69
Reconciliation of Cash	70

DRAFT

Independent Auditor's Report

The Auditor
State of Hawaii

Board of Directors
Hawaii Public Housing Authority:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Hawaii Public Housing Authority (Authority), as of and for the year ended June 30, 2008. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in note 1, the financial statements of the Authority are intended to present the financial position, changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate other fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Authority as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DRAFT

In accordance with *Government Auditing Standards*, we have also issued our report dated February __, 2009, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 to 12 and Budgetary Comparison Schedules on pages 56 to 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on Management's Discussion and Analysis or on the Budgetary Comparison Schedules.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements taken as a whole. The accompanying Combining Financial Statements of Other Governmental and Enterprise Funds, Reconciliation of Cash are not a required part of the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KMH LLP

Honolulu, Hawaii
February __, 2009

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

This Management's Discussion and Analysis (MD&A) provides an overall review of the Hawaii Public Housing Authority's (HA) financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the HA's financial performance as a whole. Readers should also review the notes to the financial statements and the financial statements to enhance their understanding of the HA's financial performance.

INTRODUCTION

The Hawaii Public Housing Authority is a housing authority (HA), established by the State Legislature effective July 1, 2006. The HA bifurcated from the former Housing and Community Development Corporation of Hawaii (HCDCH), creating two separate agencies, the Hawaii Public Housing Authority and the Hawaii Housing Finance and Development Corporation (HHFDC). Previous to July 1, 2006 the HCDCH consolidated the previous Hawaii Housing Authority and the Housing Finance and Development Corporation.

Presently, the HA administers the following major programs:

- Federal and State public housing programs
 - The HA is responsible for the administration of over 5,300 federal public housing units in Hawaii, with funds received from the United States Department of Housing and Urban Development (HUD), and 860 state public housing units.
- Federal and State rent subsidy programs
 - The HA administers the HUD Section 8 Housing Assistance Payments – Special Allocations Program, through a contract with the Bremerton (Washington) Housing Authority, the Section 8 Housing Choice Voucher Program, and a state funded rental assistance program that subsidizes rental payments to persons and families with incomes that do not exceed 80% of the area median income.
- Homeless programs

The HA is administratively attached to the State Department of Human Services. The HA's Board of Directors consists of eleven members, of whom nine shall be public members appointed by the governor. Public members shall be appointed from each of the counties of Honolulu, Hawaii, Maui, and Kauai. At least one public member shall be a person who is directly assisted by the authority under the federal low-rent public housing or federal section 8 tenant-based housing assistance payments program while serving on the board. One public member shall be an advocate for low-income or homeless persons. One public member shall be a person with a disability or an advocate for persons with disabilities. The Director of Human Services; and the Governor's Senior Policy Advisor are ex-officio voting members. All HA action is taken by the affirmative vote of at least seven members.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards HA (GASB) in their Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A and is included in this report.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Housing Authority's basic financial statements which are the government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also includes supplementary information in addition to the basic financial statements themselves.

Financial Highlights:

- Conversion to Asset Management. To meet the HUD requirement for conversion to Asset Management for Public Housing Authorities, the Hawaii Public Housing Authority implemented the program guidelines of 24 CFR 990 for the 2008 Fiscal Year. This change affected the rental units under the Federal Low Rent Program. In addition, the Housing Authority converted the State Housing Revolving (family units) and Housing for Elders (elderly/disabled units) funds to the Asset Management model to insure a consistent financial reporting system for the HA. The various components of Asset Based Management such as Project Based Management, Project Based Accounting and Central Office Cost Center were implemented in 2008. (Project Based Budgeting was implemented with the compilation of the FY2009 Budget adopted by the board of directors in June 2008.)
- Positive Net Change in Assets (please see Government-Wide Statement of Activities):
 - For 2008 total revenues were \$151 million, and increase of 22 percent over 2007.
 - 2008 operating grants and contributions increased by 23 percent over 2007. The major sources of revenues in this category are Federal subsidies restricted for specific programs, and State General Funds.
 - 2008 federal capital grants and contributions decreased by 37 percent over 2007. These federal funds are to provide capital improvements to the various housing projects.
 - 2008 general revenues increased by 60 percent over 2007, primarily due to increased state appropriations for state capital projects funding.
 - On the expense side, for 2008 total government-wide expenses were \$125 million, an increase of 12 percent over 2007, primarily due to increases in rental housing assistance program and housing development program.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

- Overall for 2008 the changes in net assets was \$25 million compared to \$12 million in 2007, an increase of 113 percent. The challenge is for the HA to use these assets to fix housing units to increase occupancy and provide more housing for Hawaii's low-income population.

Government-wide Financial Statements

The first two statements are government-wide financial statements — the *Statement of Net Assets* and the *Statement of Activities*. These provide both long-term and short-term information about the Housing Authority's overall financial status.

The *Statement of Net Assets* presents information on all of the Housing Authority's assets less liabilities which results in net assets. The statement is designed to display the financial position of the Housing Authority. Over time, increases and decreases in net assets help determine whether the Housing Authority's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the Housing Authority's net assets changed as a result of the year's activities. The statement uses the accrual basis of accounting, which is similar to the accounting used by private-sector businesses. All of the revenues and expenses are reported regardless of the timing of when cash is received or paid. The statement identifies the extent to which, each expenditure function draws from general and federal revenues of the Housing Authority or is financed through charges for services and intergovernmental aid (primarily federal programs and state appropriations).

The government-wide financial statements of the Corporation are divided into three categories:

Governmental activities - The activities in this section are primarily supported by State appropriations or by HUD contributions which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds statements — the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balances* — are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Housing Authority programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship (or differences) between them.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

Business-type activities – Business type activities also referred to as “proprietary funds” are activities that are financed and operated in a manner similar to private business enterprises — wherein the funding used to recover costs of providing goods and services to the general public is derived through user charges and charges to external users. Business-type activities are reported using an accrual basis of accounting and the economic resources measurement focus. To simplify, the accounting method used to record business-type activities transactions is basically the same method that is used by commercial enterprises and not for profit entities. These functions normally are intended to recover all or a significant portion of their costs through user fees and charges to external users.

Fiduciary funds - Fiduciary funds are used to account for assets held by the Housing Authority in a trustee capacity or as an agent for others. Activities from fiduciary funds are not included in the government-wide financial statements because the Housing Authority cannot use these assets for its operations. Fiduciary funds of the HA, consisting of agency funds and private-purpose trust funds, are reported in the *Statement of Fiduciary Net Assets* using an accrual basis of accounting. Agency funds held by the HA involve only the receipt, temporary investment, and remittance of resources to individuals, private organizations, or other governments in a purely custodial capacity (assets equal liabilities).

Detailed information on Housing Authority’s most significant funds are represented in the fund financial statements – However, the fund statements are not a representation of the Authority as a whole.

Fund Financial Statements

The Housing Authority uses fund accounting to ensure and demonstrate fiscal accountability. A fund is defined as a grouping of related accounts that is used to keep track of specific sources of funding and spending for particular purposes. It is sometimes referred to as a “self-balancing” set of accounts. This means that a fund’s assets will equal the total of its liabilities and its fund balance (or net assets), similar to the way financial statements are presented.

The financial activities of the agency are recorded in individual funds, each of which is deemed to be a separate accounting entity. Funds are then either reported as major or non-major. The criteria for determining whether a fund is considered major or non-major is based on GASB (Governmental Accounting Standards Board) Statement 34, Basic Financial Statements – Management’s Discussion and Analysis for State and Local Governments. Major funds are reported separately, while non-major funds are combined as a whole and separated as a column in the fund financial statements. Details for the non-major funds are found in the combining section of the financial statements.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF HOUSING AUTHORITY AS A WHOLE:

The 2007 and 2008 financial numbers reflect only the HA's activities, and do not include those of the Housing and Community Development Corporation of Hawaii (HCDCH) or the Hawaii Housing Finance and Development Corporation (HHFDC).

HAWAII PUBLIC HOUSING AUTHORITY Condensed Statement of Net Assets June 30, 2008 & June 30, 2007 (In thousands of dollars)

	Governmental Activities		Business Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	
Current and other assets	\$54,896	\$33,619	\$18,766	\$19,234	\$73,662	\$52,853	39.37%
Assets held by trustee	0	0	0	0	0	\$0	100.00%
Capital assets	39,813	34,636	269,826	283,138	309,639	\$317,774	-2.56%
Other assets	0	0	8,937	0	8,937	\$0	100.00%
Total Assets	\$94,709	\$68,255	\$297,529	\$302,372	\$392,238	\$370,627	5.83%
Current and other liabilities	\$6,903	\$7,648	\$9,659	\$13,999	\$16,562	\$21,647	-23.49%
Long-term liabilities	-	-	507	576	507	576	-11.98%
Total Liabilities	\$6,903	\$7,648	10,166	14,575	17,069	22,223	-23.19%
Net assets:							
Invested in capital assets, net of related debt	\$39,813	\$34,636	\$269,319	\$273,617	\$309,132	\$308,253	0.29%
Restricted	-	-	7,917	8,001	7,917	8,001	-1.05%
Unrestricted	47,993	25,971	10,127	6,179	58,120	32,150	80.78%
Total net assets	87,806	60,607	287,363	287,797	375,169	348,404	7.68%
Total liabilities & net assets	\$94,709	\$68,255	\$297,529	\$302,372	\$392,238	\$370,627	-5.83%

Regarding the Condensed Statement of Net Assets, above, the majority of the Authority's net assets, \$309 million or 86 percent, are invested in capital assets (land, buildings, and equipment) owned by the HA, out of \$375 million in total net assets. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by enabling legislation, debt covenants, or other legal requirements were \$58 million, an 81 percent increase over 2007.

Hawaii Public Housing Authority

Management Discussion and Analysis June 30, 2008

The Housing Authority's total revenues and expenditures are reflected in the following chart below. Please see financial highlights in the beginning of this section.

HAWAII PUBLIC HOUSING AUTHORITY Government-Wide Statement of Activities Years Ended June 30, 2008 – June 30, 2007 (In thousands of dollars)

	Governmental Activities		Business Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	
Revenues							
Program Revenues:							
Charges for services	-	-	21,940	22,993	21,940	22,993	-4.58%
Operating Grants and Contributions	44,374	37,682	16,310	11,483	60,684	49,165	23.43%
Capital Grants and Contributions	-	-	9,521	15,082	9,521	15,082	-36.87%
General Revenues:							
State Allotted Appropriations, net of Lapses	58,682	36,708	-	-	58,682	36,708	59.86%
Total Revenues	103,056	74,390	47,771	49,558	150,827	123,948	21.69%
Expenses							
Governmental Activities							
Homeless Services and assistance program	12,834	16,583	-	-	12,834	16,583	-22.61%
Rental housing assistance program	54,887	40,153	-	-	54,887	40,153	36.69%
Business-type activities							
Rental assistance program	-	-	47,508	46,299	47,508	46,299	2.61%
Housing development program	-	-	9,145	7,998	9,145	7,998	14.34%
Other	-	-	1,056	970	1,056	970	8.87%
Total governmental-wide expenses	67,721	56,736	57,709	55,267	125,430	112,003	11.99%
Excess of revenues over expenses	35,335	17,654	(9,938)	(5,709)	25,397	11,945	112.62%
Transfers	(8,136)	(670)	8,136	670	-	-	-100.00%
CHANGES IN NET ASSETS	27,199	16,984	(1,802)	(5,039)	25,397	11,945	112.62%
Total net assets, beginning of year	60,607	43,622	289,165	292,836	349,772	336,458	3.96%
Total net assets, end of year	\$87,806	\$60,606	\$287,363	\$287,797	\$375,169	\$348,403	7.68%

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

Financial Analysis of the Housing Authority's Funds

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Analyzing this section allows HPHA management to determine: Did the Housing Agency generate enough revenue to pay for current obligations, and what is available for spending at the end of the year. (Note: federal funds appropriations are monies received from HUD. Federal funds provide for the majority of HA operations. General funds appropriations are monies received from our State Legislature to fund various State of Hawaii Homeless and Rental Assistance Programs.

General Fund:

- Cash – 2008 year end balance is zero with a decrease of \$14,319,473 from 2007 due to technical change in Department of Accounting and General Services (DAGS) accounting policy for cash being held by Governmental type funds to be reflected in Due from State rather than in cash.
- Due from State – Similar to Cash, 2008 year end balance increased to \$8,618,758 compared to zero in 2007 due to technical change in DAGS accounting policy for cash being held by Governmental type funds to be reflected in Due from State rather than in cash.
- Grant Expenditures – 2008 shows increase of \$5,000,000 over 2007 due to a grant in aid funded by the legislature as a pass-through to Salvation Army in 2007 but spent in 2008 (timing issue).
- Capital Outlays – 2008 reduction for \$4,637,806 compared to 2007 due to reduced capital spending for Homeless programs in 2008.
- Repairs & Maintenance – 2008 shows increase of \$3,070,000 compared to 2007 due to expenditures for vacant unit repairs funded by the legislature in 2008.
- Operating Transfers – 2008 shows increase of \$7,779,361 for legislative emergency appropriations received and transferred to other funds compared to zero in 2007.
- Change in Net Assets – 2008 shows a decrease of \$9,695,802 as 2007 Salvation Army grant in aid funds of \$5.0 million were received in 2007 but not expended until 2008.

Federal Low Rent Program:

- Cash – 2008 show increase of \$4,290,428 for emergency transfers and HUD capital subsidies compared to 2007.
- Rental Income – 2008 show increase of \$1,271,323 over 2007 because of increased emphasis on evictions and collections.
- Other Income – 2008 shows decrease of \$1,680,357 compared to 2007 due to the infusion of funds from the legislature of \$1.7 million to a settle utility rate lawsuit.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

- HUD Operating Subsidy – 2008 shows decrease of \$1,621,288 compared to 2007 due to “proration” (reduced percentage of funding by HUD) and deferral of draw down for operating portion of Capital fund.
- Personnel expense – 2008 show increase of \$1,448,005 over 2007 due to implementation of Government Accounting Standards Board (GASB) 45: OPEB (Other Post Employment Benefits – medial coverage after retirement); \$1.2 million was allocated by the State to HPHA.
- Depreciation – 2008 shows increase by \$1,410,573 as a result of full-year depreciation expense for fixed assets completed in 2007.
- Operating Transfers – 2008 show increase of \$1,749,032 primarily due to legislative emergency appropriations for insurance and payroll costs, compared to 2007.

Capital Fund:

- Cash – 2008 year end balance is zero with a decrease of \$12,894,128 from 2007 due to technical change in DAGS accounting policy for cash being held by Governmental type funds to be reflected in Due from State rather than cash.
- Due from State – Similar to cash, 2008 year end balance is \$36,661,272 due to change in DAGS accounting policy for cash being held by Governmental type funds to be reflected in due from State rather than cash.
- State Allotted Appropriations – 2008 shows increase of \$21,750,285 over 2007 due to additional capital improvements projects appropriations, including special appropriations for elevator improvements of \$7.5 million.
- Capital Outlay – 2008 shows increase of \$3,141,465 over 2007 due to increase in capital spending for physical improvements at Kahale Kahaluu (\$1.5 million) and conversion of large capacity cesspools at Lailani, Kealakehe, Noelani and Lokahi. (\$2.5 million).
- Fund Balance – 2008 shows increase of \$23,861,811 for capital improvements projects compared to 2007; many projects are in planning and design stages.

Housing Revolving Fund:

- Operating Transfers – 2008 show increase of \$5,748,308 over 2007 due to legislative emergency appropriations received.

Housing Choice Voucher:

- HUD Contributions – 2008 shows an increase \$4,696,721 compared to 2007 due to increases in pro-ration of HUD base subsidies and funding for 80 new vouchers for Veterans Administration Support HAP subsidies.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

Budgetary Analysis:

- The General Fund program revenues and expenses show a decrease to the final budget by \$3.6 million due to reductions in the Homeless facility, outreach services and housing programs. The Housing Voucher programs had an under expenditure of \$2.9 million due to reduced utilization of vouchers. The Section 8 Contract Administration program had a decrease in revenues and expenditures of \$6.0 million due to reduced HUD contributions.

Capital Assets:

Housing Authority's Capital Assets Years ended June 30, 2008 and June 30, 2007 (In thousands of dollars)

	Governmental Activities		Business Activities		Total		Total Percentage Change
	2008	2007	2008	2007	2008	2007	
Land	\$ 2,373	\$ 2,373	\$ 22,973	\$ 22,973	\$ 25,346	\$ 25,346	0.00%
Buildings and improvements	48,061	42,784	487,642	474,327	535,703	517,111	-3.60%
Equipment	1,198	1,198	10,285	10,347	11,483	11,545	-0.54%
Construction in progress	11,642	9,629	23,755	29,733	35,397	39,362	-10.07%
Total	63,274	55,984	544,655	537,380	607,929	593,364	2.45%
Accumulated Depreciation	(23,462)	(21,348)	(274,829)	(262,608)	(293,291)	(283,956)	5.05%
Total Capital Assets Net	<u>\$ 39,812</u>	<u>\$ 34,636</u>	<u>\$ 269,826</u>	<u>\$ 274,772</u>	<u>\$ 309,638</u>	<u>\$ 309,408</u>	-19.53%

Capital Assets – At June 30, 2008, the Housing Authority had approximately \$309 million invested in capital assets including land, buildings, equipment (costing \$5000 or more), vehicles, buildings and equipment under capital lease, and construction in progress. Increases during the year represent addition to those categories, while decreases represent the bifurcation of assets, depreciation, and retirement of assets.

Hawaii Public Housing Authority

Management Discussion and Analysis
June 30, 2008

Currently Known Facts, Decisions, or Conditions:

HUD increased operating funding for public housing for fiscal year 2009 due to an increase in the operating subsidy proration rate from 82% to 89% and adjustments in base subsidy for 2009. In addition, the HA portion of the federal stimulus package approved in February 2009 will be in the neighborhood of \$13 million for federal public housing capital improvements.

The Housing Agency was named as a defendant in a lawsuit regarding the living conditions at Kuhio Park Terrace calling for capital improvements such as elevators, trash chutes, fire alarms, and sewers, as well as an increase in handicap accessible units. The HA is working to address the issues involved with existing funds, and is seeking additional funds. The outcome of the lawsuit has not been determined at this time.

CONTACTING THE HOUSING AUTHORITY

This financial report is designed to provide citizens, taxpayers, investors, and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Chad Taniguchi, Executive Director or by calling (808) 832-4670 during regular office hours, Monday through Friday, from 7:45 a.m. to 4:30 p.m., pacific standard time.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS

June 30, 2008

ASSETS

	Governmental Activities	Business-Type Activities	Total
Current Assets			
Cash	\$ 5,336,659	\$ 16,233,676	\$ 21,570,335
Due from State of Hawaii	45,280,030	-	45,280,030
Receivables:			
Accrued interest	-	13,938	13,938
Tenant receivables, less allowance for doubtful receivables of \$4,604,165	-	726,737	726,737
Other	300	305,297	305,597
	<u>300</u>	<u>1,045,972</u>	<u>1,046,272</u>
Internal balances	2,163,499	(2,163,499)	-
Due from other state agencies	-	726,003	726,003
Due from HUD	707,261	2,275,113	2,982,374
Inventories	-	557,741	557,741
Prepaid expenses and other assets	1,408,255	63,392	1,471,647
Deposits held in trust	-	27,165	27,165
Total current assets	<u>54,896,004</u>	<u>18,765,563</u>	<u>73,661,567</u>
Note Receivable	-	426,100	426,100
Accrued Interest	-	594,410	594,410
Restricted Deposits and Funded Reserves	-	7,917,014	7,917,014
Capital Assets, less accumulated depreciation	39,812,744	269,825,954	309,638,698
TOTAL ASSETS	<u>\$ 94,708,748</u>	<u>\$ 297,529,041</u>	<u>\$ 392,237,789</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS (continued)

June 30, 2008

LIABILITIES AND NET ASSETS

	Governmental Activities	Business-type Activities	Total
Current Liabilities			
Accounts payable	\$ 4,208,235	\$ 4,807,671	\$ 9,015,906
Accrued expenses	732,397	3,522,468	4,254,865
Internal balances	1,686,321	(1,686,321)	-
Due to other state agencies	-	58,985	58,985
Due to State of Hawaii	-	571,402	571,402
Due to HUD	5,078	14,560	19,638
Security deposits	-	935,310	935,310
Other	-	128,006	128,006
Total current liabilities	6,632,031	8,352,081	14,984,112
Accrued Expenses	270,671	1,306,764	1,577,435
Mortgage and Note Payable	-	506,741	506,741
Commitments and Contingencies			
Net Assets			
Invested in capital assets, net of related debt	39,812,744	269,319,213	309,131,957
Restricted by legislation and contractual agreements	-	7,917,014	7,917,014
Unrestricted	47,993,302	10,127,228	58,120,530
Total net assets	87,806,046	287,363,455	375,169,501
TOTAL LIABILITIES AND NET ASSETS	\$ 94,708,748	\$ 297,529,041	\$ 392,237,789

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES

June 30, 2008

Functions/Programs	Program Revenues			Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
Governmental activities						
Homeless service and assistance program	\$ 12,834,265	\$ -	\$ 1,046,411	\$ -	\$ (11,787,854)	\$ -
Rental housing and assistance program	54,887,419	-	43,327,944	-	(11,559,475)	-
Total governmental activities	67,721,684	-	44,374,355	-	(23,347,329)	-
Business-type activities						
Rental assistance program	47,508,491	17,311,003	15,707,611	9,521,427	-	(4,968,450)
Rental housing program	9,144,788	4,201,887	546,382	-	-	(4,396,519)
Others	1,055,841	426,639	56,410	-	-	(572,792)
Total business-type activities	57,709,120	21,939,529	16,310,403	9,521,427	-	(9,937,761)
Total government-wide	\$ 125,430,804	\$ 21,939,529	\$ 60,684,758	\$ 9,521,427	(23,347,329)	(9,937,761)
State Allotted Appropriations, net of lapses					58,682,496	-
Net Transfers					(8,136,190)	8,136,190
Total general revenues and transfers					50,546,306	8,136,190
Change in net assets					27,198,977	(1,801,571)
Net Assets at July 1, 2007 (As Restated)					60,607,069	289,165,026
Net Assets at June 30, 2008					\$ 87,806,046	\$ 287,363,455
						\$ 375,169,501

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
BALANCE SHEET

June 30, 2008

ASSETS	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
Current Assets						
Cash	\$ -	\$ -	\$ 4,805,840	\$ 530,653	\$ 166	\$ 5,336,659
Due from State of Hawaii	8,618,758	36,661,272	-	-	-	45,280,030
Other receivables	300	-	-	-	-	300
Due from other funds	-	-	1,705,000	458,499	-	2,163,499
Due from HUD	-	-	-	406,564	300,697	707,261
Prepaid expenses and other assets	-	-	1,408,255	-	-	1,408,255
TOTAL ASSETS	<u>\$ 8,619,058</u>	<u>\$ 36,661,272</u>	<u>\$ 7,919,095</u>	<u>\$ 1,395,716</u>	<u>\$ 300,863</u>	<u>\$ 54,896,004</u>
LIABILITIES AND FUND BALANCE						
Current Liabilities						
Accounts payable	\$ 2,601,442	\$ 1,098,091	\$ 28,354	\$ 193,099	\$ 287,249	\$ 4,208,235
Accrued expenses	8,095	-	416,691	106,831	-	531,617
Due to other funds	219,634	-	1,327,463	125,776	13,448	1,686,321
Due to HUD	-	-	4,912	-	166	5,078
Total liabilities	<u>2,829,171</u>	<u>1,098,091</u>	<u>1,777,420</u>	<u>425,706</u>	<u>300,863</u>	<u>6,431,251</u>
Fund Balances - Unrestricted						
Reserved	5,789,887	35,563,181	-	-	-	41,353,068
Unreserved	-	-	6,141,675	970,010	-	7,111,685
Total fund balances	<u>5,789,887</u>	<u>35,563,181</u>	<u>6,141,675</u>	<u>970,010</u>	<u>-</u>	<u>48,464,753</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,619,058</u>	<u>\$ 36,661,272</u>	<u>\$ 7,919,095</u>	<u>\$ 1,395,716</u>	<u>\$ 300,863</u>	<u>\$ 54,896,004</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE TO THE
STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds		\$	48,464,753
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	39,812,744		
Long-term compensated absences are not due and payable in the current period and therefore are not reported in the funds	270,671		
Other post-retirement employee benefits are not due and payable in the current period and therefore are not reported in the funds	<u>200,780</u>		<u>39,341,293</u>
Net assets of governmental activities		\$	<u><u>87,806,046</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Year ended June 30, 2008

	General	Capital Projects	Housing Choice Voucher	Section 8 Contract Administration	Other Funds	Total Governmental Funds
Revenues						
Intergovernmental – HUD annual contributions and others	\$ -	\$ -	\$ 21,596,567	\$ 21,320,092	\$ 1,256,476	\$ 44,173,135
State allotted appropriations, net of lapsed funds	28,172,496	30,510,000	-	-	-	58,682,496
Other	-	-	145,613	55,607	-	201,220
Total revenues	28,172,496	30,510,000	21,742,180	21,375,699	1,256,476	103,056,851
Expenditures						
Housing assistance payments	703,096	-	16,468,212	19,837,960	-	37,009,268
Homeless services	11,443,680	-	-	-	-	11,443,680
Grants	5,000,000	250,000	-	-	-	5,250,000
Personnel services	285,073	-	1,659,419	57,084	-	2,001,576
Administration	801,673	3,475	457,327	1,118,925	1,256,476	3,637,876
Professional services	68,388	-	82,153	56,060	-	206,601
Security	-	-	201	42	-	243
Repairs and maintenance	3,819,107	923,464	1,311	386	-	4,744,268
Utilities	126,196	-	-	-	-	126,196
Insurance	-	-	14,050	2,353	-	16,403
Capital outlays	2,332,123	5,471,250	-	-	-	7,803,373
Other	879,182	-	-	-	-	879,182
Total expenditures	25,458,518	6,648,189	18,682,673	21,072,810	1,256,476	73,118,666
EXCESS OF REVENUES OVER EXPENDITURES	2,713,978	23,861,811	3,059,507	302,889	-	29,938,185
Nonoperating Expenditure - Interest Expense	(7,318)	-	(55,706)	(1,726)	-	(64,750)
Other Financing Uses - Transfers (Out) In	(7,779,361)	-	116,550	38,850	-	(7,623,961)
NET CHANGE IN FUND BALANCE	(5,072,701)	23,861,811	3,120,351	340,013	-	22,249,474
Fund Balance at July 1, 2007	10,862,588	11,701,370	3,021,324	629,997	-	26,215,279
Fund Balance at June 30, 2008	\$ 5,789,887	\$ 35,563,181	\$ 6,141,675	\$ 970,010	\$ -	\$ 48,464,753

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN FUND
BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2008

Net change in fund balances - total governmental funds \$ 22,249,474

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as
expenditures. In the statement of activities, the
cost of those assets is allocated over their
estimated useful lives and reported as
depreciation expense. This is the amount
by which capital outlays exceeded
depreciation during the year.

5,176,823

Long-term compensated absences reported in the
statement of activities do not require the use of
current financial resources and therefore are not
reported as expenditures in governmental funds

(26,540)

Other post-retirement employee benefits reported in the
statement of activities do not require the use of
current financial resources and therefore are not
reported as expenditures in governmental funds

(200,780)

4,949,503

Change in net assets of governmental activities

\$ 27,198,977

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

June 30, 2008

ASSETS	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Assets:						
Cash	\$ 8,835,354	\$ 243,977	\$ 2,119,691	\$ 3,799,209	\$ 14,998,231	\$ 1,235,445
Receivables:						
Accrued interest	-	-	9,863	-	9,863	4,075
Tenant receivables, less allowance for doubtful accounts of \$4,604,165	582,552	29,960	3,423	110,802	726,737	-
Other	193,596	-	3,068	108,633	305,297	-
	<u>776,148</u>	<u>29,960</u>	<u>16,354</u>	<u>219,435</u>	<u>1,041,897</u>	<u>4,075</u>
Due from other funds	3,227,373	1,047,415	130,667	5,833,650	10,239,105	-
Due from other state agencies	-	-	-	726,003	726,003	-
Due from HUD	2,275,113	-	-	-	2,275,113	-
Inventories	493,174	20,745	43,822	-	557,741	-
Prepaid expenses and other assets	-	-	-	63,392	63,392	-
Deposits held in trust	-	-	-	27,165	27,165	-
Total current assets	<u>15,607,162</u>	<u>1,342,097</u>	<u>2,310,534</u>	<u>10,668,854</u>	<u>29,928,647</u>	<u>1,239,520</u>
Note Receivable	-	426,100	-	-	426,100	-
Accrued Interest	-	594,410	-	-	594,410	-
Restricted Deposits and Funded Reserves	-	-	-	7,917,014	7,917,014	-
Capital Assets, less accumulated depreciation	<u>196,170,700</u>	<u>12,034,813</u>	<u>41,230,713</u>	<u>20,293,959</u>	<u>269,730,185</u>	<u>95,769</u>
TOTAL ASSETS	<u>\$ 211,777,862</u>	<u>\$ 14,397,420</u>	<u>\$ 43,541,247</u>	<u>\$ 38,879,827</u>	<u>\$ 308,596,356</u>	<u>\$ 1,335,289</u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS (continued)

June 30, 2008

LIABILITIES AND NET ASSETS

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Current Liabilities						
Accounts payable	\$ 2,706,145	\$ 30,443	\$ 211,436	\$ 1,859,647	\$ 4,807,671	\$ -
Accrued expenses	2,712,419	147,494	80,719	581,836	3,522,468	-
Due to other funds	3,575,596	1,693	436,728	6,631,593	10,645,610	70,673
Due to other state agencies	-	-	-	58,985	58,985	-
Due to State of Hawaii	-	-	-	571,402	571,402	-
Due to HUD	-	-	-	14,560	14,560	-
Security deposits	663,800	32,977	148,509	90,024	935,310	-
Other	-	-	-	128,006	128,006	-
Total current liabilities	9,657,960	212,607	877,392	9,936,053	20,684,012	70,673
Accrued Expenses	1,225,786	56,077	24,901	-	1,306,764	-
Mortgage and Note Payables	-	-	-	506,741	506,741	-
Commitments and Contingencies						
Net Assets:						
Invested in capital assets, net of related debt	196,170,700	12,034,813	41,230,713	19,787,218	269,223,444	95,769
Restricted by legislation and contractual agreements	-	-	-	7,917,014	7,917,014	-
Unrestricted	4,723,416	2,093,923	1,408,241	732,801	8,958,381	1,168,847
Total net assets	200,894,116	14,128,736	42,638,954	28,437,033	286,098,839	1,264,616
TOTAL LIABILITIES AND NET ASSETS	\$ 211,777,862	\$ 14,397,420	\$ 43,541,247	\$ 38,879,827	\$ 308,596,356	\$ 1,335,289

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE PROPRIETARY FUNDS NET ASSETS
TO THE STATEMENT OF NET ASSETS

Year ended June 30, 2008

Total net assets of enterprise funds	\$ 286,098,839
Amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities	<u>1,264,616</u>
Net assets of business-type activities	<u><u>\$ 287,363,455</u></u>

The accompanying notes are an integral part of this statements.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues						
Rental	\$ 17,035,533	\$ 848,659	\$ 1,899,522	\$ 1,651,153	\$ 21,434,867	\$ -
Other	275,470	52,690	63,794	112,708	504,662	-
Total operating revenues	17,311,003	901,349	1,963,316	1,763,861	21,939,529	-
Operating Expenses						
Project	6,491,178	-	-	-	6,491,178	-
Personnel services	14,438,637	1,019,128	359,525	246,585	16,063,875	-
Depreciation	9,578,594	385,615	1,385,986	997,897	12,348,092	42,484
Administration	2,701,511	225,070	716,494	959,903	4,602,978	37,883
Provision for losses	-	71,595	11,597	-	83,192	-
Professional services	383,660	74,248	33,465	5,727	497,100	2,303
Security	1,358,439	-	655	-	1,359,094	-
Insurance	829,548	86,364	77,714	118,117	1,111,743	-
Repairs and maintenance	1,606,881	107,492	231,250	555,190	2,500,813	-
Utilities	9,731,442	569,377	989,573	419,045	11,709,437	-
Payments in lieu of taxes	-	-	-	-	-	-
Capital expenditures	388,601	-	-	-	388,601	7,421
Other	-	18,062	240,401	155,192	413,655	1,631
Total operating expenses	47,508,491	2,556,951	4,046,660	3,457,656	57,569,758	91,722
Operating loss carried forward	(30,197,488)	(1,655,602)	(2,083,344)	(1,693,795)	(35,630,229)	(91,722)

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS (continued)

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating loss brought forward	(30,197,488)	(1,655,602)	(2,083,344)	(1,693,795)	(35,630,229)	(91,722)
Nonoperating Revenues (Expenses):						
Interest income	285,199	151,820	61,807	332,928	831,754	56,237
HUD operating subsidy and others	24,943,839	-	-	-	24,943,839	-
Interest expense	-	(29,341)	-	(18,299)	(47,640)	-
Net nonoperating revenues	25,229,038	122,479	61,807	314,629	25,727,953	56,237
Loss before transfers	(4,968,450)	(1,533,123)	(2,021,537)	(1,379,166)	(9,902,276)	(35,485)
Net Operating Transfers	2,349,032	5,748,308	38,850	-	8,136,190	-
CHANGE IN NET ASSETS	(2,619,418)	4,215,185	(1,982,687)	(1,379,166)	(1,766,086)	(35,485)
Fund Net Assets at July 1, 2007 (As Restated)	203,513,534	9,913,551	44,621,641	29,816,199	287,864,925	1,300,101
Fund Net Assets at June 30, 2008	\$ 200,894,116	\$ 14,128,736	\$ 42,638,954	\$ 28,437,033	\$ 286,098,839	\$ 1,264,616

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

RECONCILIATION OF THE CHANGE IN FUND
BALANCES OF PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2008

Net change in fund balances - total enterprise funds	\$ (1,766,086)
Net change in fund balances - internal service funds	<u>(35,485)</u>
CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES	<u><u>\$ (1,801,571)</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:						
Cash received from renters	\$ 17,107,314	\$ 807,660	\$ 1,928,584	\$ 1,643,739	\$ 21,487,297	\$ -
Cash payments to employees	(20,929,815)	(1,019,128)	(359,525)	(246,585)	(22,555,053)	-
Cash payments to suppliers	(19,335,306)	(934,982)	(1,965,315)	(2,408,112)	(24,643,715)	-
Cash receipts from (payments to) other funds	(8,505)	(5,433,390)	914,938	4,304,855	(222,102)	49,238
Other cash receipts (payments)	830,069	51,014	(177,865)	106,640	809,858	(49,238)
Net cash (used in) provided by operating activities	(22,336,243)	(6,528,826)	340,817	3,400,537	(25,123,715)	-
Cash Flows from Noncapital Financing Activities:						
Interest paid to the Department of Budget and Finance	-	(29,341)	-	(875,043)	(904,384)	-
HUD operating subsidy and others received	23,436,402	-	-	-	23,436,402	-
Cash payments to other state agencies	-	-	-	(667,018)	(667,018)	-
Operating transfers in	2,349,032	5,748,308	38,850	-	8,136,190	-
Net cash provided by (used in) noncapital financing activities	25,785,434	5,718,967	38,850	(1,542,061)	30,001,190	-
Cash Flows from Capital and Related Financing Activities:						
HUD capital subsidy received	7,145,081	-	-	-	7,145,081	-
Principal payments on mortgage loans	-	-	-	(69,260)	(69,260)	-
Payments of interest	-	-	-	(21,701)	(21,701)	-
Payments for acquisition of property and equipment	(7,145,081)	-	-	(878,557)	(8,023,638)	-
Net cash used in capital and related financing activities	-	-	-	(969,518)	(969,518)	-
Subtotal carried forward	3,449,191	(809,859)	379,667	888,958	3,907,957	-

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Subtotal brought forward	3,449,191	(809,859)	379,667	888,958	3,907,957	-
Cash Flows from Investing Activities:						
Receipts of interest	285,199	75,122	69,429	339,410	769,160	56,237
Net increase in restricted deposits and funded reserves	-	-	-	84,417	84,417	-
Net cash provided by investing activities	285,199	75,122	69,429	423,827	853,577	56,237
NET INCREASE (DECREASE) IN CASH	3,734,390	(734,737)	449,096	1,312,785	4,761,534	56,237
Cash at July 1, 2007 (as Restated)	5,100,964	978,714	1,670,595	2,486,424	10,236,697	1,179,208
Cash at June 30, 2008	\$ 8,835,354	\$ 243,977	\$ 2,119,691	\$ 3,799,209	\$ 14,998,231	\$ 1,235,445

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS (continued)

Year ended June 30, 2008

	Federal Low Rent Program	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:						
Reconciliation of operating loss to net cash (used in) provided by operating activities:						
Operating loss	\$ (30,197,488)	\$ (1,655,602)	\$ (2,083,344)	\$ (1,693,795)	\$ (35,630,229)	\$ (91,722)
Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:						
Depreciation	9,578,594	385,615	1,385,986	997,897	12,348,092	42,484
Provision for losses	817,146	71,595	11,597	-	900,338	-
Changes in assets and liabilities:						
Tenant receivables	(742,578)	(40,999)	(13,368)	(16,384)	(813,329)	-
Other receivables	554,599	16,386	(1,258)	167,089	736,816	-
Due from other funds	580,656	(754,832)	686,266	3,418,009	3,930,099	49,238
Due from HUD	-	-	-	-	-	-
Inventories	75,356	-	10,844	101,007	187,207	-
Prepaid expenses and other assets	-	-	1,707	(145)	1,562	-
Deposits held in trust	-	-	-	9,036	9,036	-
Accounts payable	(3,758,689)	(544)	-	(609,875)	(4,369,108)	-
Other accrued expenses	1,348,109	128,113	71,285	16,495	1,564,002	-
Other liabilities	-	-	-	19,143	19,143	-
Due to other funds	(589,161)	(4,678,558)	228,672	886,846	(4,152,201)	-
Due to HUD	-	-	-	-	-	-
Security deposits	(2,787)	-	42,430	(66)	39,577	-
Deferred income	-	-	-	105,280	105,280	-
Net cash (used in) provided by operating activities	\$ (22,336,243)	\$ (6,528,826)	\$ 340,817	\$ 3,400,537	\$ (25,123,715)	\$ -

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2008

	<u>Private Purpose Trust</u>
ASSETS	
Cash	<u>\$ 610,715</u>
TOTAL ASSETS	<u><u>\$ 610,715</u></u>
LIABILITIES AND NET ASSETS	
Liability - Accounts Payable	\$ 118,162
Net Assets - Held in Trust	<u>492,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 610,715</u></u>

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year ended June 30, 2008

	Private Purpose Trust
	<hr/>
Addition - Intergovernmental Revenue	\$ -
Deductions - Capital Outlays	<hr/> 4,037,807
CHANGE IN NET ASSETS	(4,037,807)
Net Assets at July 1, 2007	<hr/> 4,530,360
Net Assets at June 30, 2008	<hr/> <hr/> \$ 492,553

The accompanying notes are an integral part of this statement.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies

a. General

Act 196, SLH 2005, as amended by Act 180, SLH 2006, create the Hawaii Public Housing Authority (the Authority).

The Authority's mission is to provide safe, decent and sanitary dwelling for low and moderate income residents of Hawaii and to operate its housing program in accordance with federal and state of Hawaii laws and regulations.

For financial reporting purposes, the Authority includes all funds that are controlled by or dependent on the Authority's Board of Directors. Control by or dependence on the Authority was determined on the basis of statutory authority and monies flowing through the Authority to each fund. The Authority is a component unit of the State of Hawaii.

The financial statements of the Authority are intended to present the financial position, changes in financial position, and cash flows where applicable, of only that portion of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the State of Hawaii that is attributable to the transactions of the Authority. They do not purport to, and do not, present fairly the financial position of the State of Hawaii as of June 30, 2008, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. The State Comptroller maintains the central accounts for all State funds and publishes financial statements for the State annually, which include the Authority's financial activities.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets and the statement of activities, report information of all of the non-fiduciary activities of the Authority. Governmental activities, which normally are supported by State allotments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

b. Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers who purchase, use, or directly benefit from goods or services provided by a given function.

Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. State allotments and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than program revenues. The Authority does employ an indirect cost allocation system.

Net assets are restricted when constraints placed on them are either externally imposed or imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first then unrestricted resources as they are needed.

The fund financial statements are provided for governmental funds, proprietary funds and fiduciary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column. The Authority's fiduciary fund is presented in the fund financial statements. Since by definition their assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities as obligations of the government, their funds are not incorporated into the government-wide statements.

c. Measurement Focus and Basis of Accounting

i. Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

ii. Governmental Fund Financial Statements

The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. In applying the susceptible to accrual concept to intergovernmental revenues, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when applicable requirements, including timing requirements are met.

Principal revenue sources considered susceptible to accrual include federal grants and rental income. Some revenue items that are considered measurable and available to finance operations during the year from an accounting perspective are not available for expenditure due to the State's present appropriation system. These revenues have been accrued in accordance with generally accepted accounting principles since they have been earned and are expected to be collected within sixty days of the end of the period. Other revenues are considered to be measurable and available only when cash is received by the Authority.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting include employees' vested vacation and other post-retirement benefits, which are recorded as expenditures when utilized or paid. The amount of indebtedness related to accumulated vacation and other post-retirement benefits at June 30, 2008 has been reported in the government-wide financial statements.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting (continued)

iii. Proprietary Funds and Fiduciary Fund

The financial statements of proprietary funds and the fiduciary fund are reported using the economic resources measurement focus and the accrual basis of accounting, similar to the government-wide statements described above.

Each proprietary fund has the option under GASB Statement 20, Accounting and Financial Reporting for Proprietary funds and Other Governmental Entities that Use Proprietary Fund Accounting, to elect to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The Authority has elected to not apply FASB statements after the applicable date.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the Authority's enterprise funds is rental income. Federal grants are reported as nonoperating income.

d. Fund Accounting

The financial activities of the Authority are recorded in individual funds, each of which is deemed to be a separate accounting entity. The Authority uses fund accounting to report on its financial position and results of operations. Fund accounting is designed to demonstrate the legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

GASB Statement 34 sets forth minimum criteria for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

i. Governmental Funds

General Fund – The general fund is the general operating fund of the Authority. It is used to account for all financial activities except those required to be accounted for in another fund. This fund includes the Rent Supplement and the Homeless Programs. The annual operating budget as authorized by the State Legislature provides the basic framework within which the resources and obligations of the general fund are accounted.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. These funds include Section 8 Housing Choice Voucher Program, Contract Administration, Shelter Plus Care, Housing Opportunities for Persons with AIDS (HOPWA) Program, Emergency Shelter Grant Program, Residential Opportunities Self-Sufficient Programs (ROSS), Supportive Housing Program, Office of Juvenile Justice and Delinquency Program and Economic Development Initiative Special Project Grant Boys and Girls Club of Hawaii.

Capital Projects Fund – Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund type).

The Authority reports the following major governmental funds:

- General Fund
- Capital Projects Fund
- Housing Choice Voucher Program – accounts for federal contributions for housing assistance payments under the Housing Choice Voucher Program.
- Section 8 Contract Administration – accounts for federal contributions primarily for housing payments under the Project-Based Section 8 Program.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

d. Fund Accounting (continued)

ii. Proprietary Funds

Enterprise Funds – These funds account for those activities for which the intent of management is to recover, primarily through user charges, the cost of providing goods or services to customers, or where sound financial management dictates that periodic determinations of results of operations are appropriate.

The enterprise funds include the Federal Low Rent Fund, Housing Revolving Fund, Housing for Elders Revolving Fund and other funds. The other funds include the Teacher Housing Revolving, Banyan Street Manor Project, Wilikina Apartments Project, Kekumu at Waikoloa Project, Disbursing Fund and Kuhio Park Terrace Resource Center.

Internal Service Funds – These funds account for those activities, which provide goods or services primarily to the Authority, rather than to external parties. In the government-wide statements, internal service funds are included with business-type activities. These funds include the Equipment Rental Fund and Vehicle Rental Fund.

The Authority reports the following as major proprietary funds:

Federal Low-Rent Program accounts for the proceeds from federal contributions for the development of rental property and rental income and federal operating subsidies from such properties.

Housing Revolving Fund accounts for various state multifamily housing projects located throughout the State of Hawaii.

Housing for Elders Revolving Fund accounts for various state elderly housing projects located throughout the State of Hawaii.

iii. Fiduciary Fund

The private-purpose trust fund accounts for net assets held in a trustee capacity for others.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

e. HUD Subsidized Programs

The Federal Low-Rent Program Fund operates under HUD's Annual Contribution Contract and consists of the operations of low-rent housing properties. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained and managed by the Authority. The properties are acquired, developed and modernized under HUD's comprehensive grant programs. Funding for the properties is provided by federal operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition).

The Section 8 Programs consists of the Housing Choice Voucher Program Fund and the Section 8 Contract Administration Fund. The Housing Choice Voucher Program Fund provides rental housing assistance subsidies to qualified participants. The purpose of the program is to assist low-income families, the elderly and the disabled to afford decent, safe and sanitary housing in the private market. Federal housing assistance is provided on behalf of the family or individuals and is paid directly to the landlord directly by the Authority. The family or individual is responsible for finding a suitable housing unit in which the landlord agrees to rent under the program. The Section 8 Contract Administration Fund administers non-Authority owned housing units used for low-income housing. HUD provides a contracted dollar amount to the Authority, which is used to provide rental payment assistance to landlords.

f. Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities in the government-wide financial statements and proprietary funds financial statements. Capital assets are defined by the Authority as land and those assets with estimated useful lives greater than one year and with an acquisition cost greater than:

Land improvements	\$ 100,000
Building and building improvements	\$ 100,000
Equipment	\$ 5,000

Purchased and constructed capital assets are valued at cost. Donated assets are recorded at their fair market value at the date of donation.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

f. Capital Assets (continued)

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements.

Depreciation expense is recorded in the government-wide financial statements, as well as the proprietary funds financial statements. The Authority utilizes the straight-line method over the assets' estimated useful life. No depreciation is recorded for land and land improvements. Generally, the useful lives are as follows:

	<u>Governmental Activities</u>	<u>Proprietary Fund and Business-type Activities</u>
Building and building improvements	25 years	10 – 40 years
Equipment	7 years	1 – 10 years

g. Cash and Cash Equivalents

Cash and cash equivalents for the purpose of the statement of cash flows – proprietary funds, include all cash and investments with original purchased maturities of three months or less.

h. Inventories

In the governmental funds, the cost of inventories is recorded as an expenditure when consumed.

i. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and service type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

1. Organization and Significant Accounting Policies (continued)

j. HUD Annual Contributions

The Authority receives annual contributions and subsidies from HUD for operating the Authority's housing assistance payment programs and the development and operation of low-income housing projects. The Authority also receives annual subsidies from HUD for housing assistance payments and operating deficits incurred in the operation of the programs. Annual subsidies recorded in the proprietary fund types are recognized as nonoperating revenue when realized and earned and are accounted for in the statement of revenues, expenses and changes in fund net assets – proprietary funds as HUD operating subsidy.

k. Vacation

Employees are credited with vacation at a rate of 168 hours per calendar year. Accumulation of such vacation credits is limited to 720 hours at calendar year end and is convertible to pay upon termination of employment. Liabilities for accumulated unpaid vacation are accrued at the end of each accounting period utilizing current salary rates. Such vacation credits are recorded as accrued wages and employee benefits payable in the government-wide and the enterprise funds financial statements at the balance sheet date. Accumulated unpaid vacation estimated to be used or paid during the next year is approximately \$522,000.

The change in accumulated unpaid vacation during the year is approximately as follows:

<u>Balance at July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2008</u>
<u>\$2,084,000</u>	<u>\$926,000</u>	<u>\$911,000</u>	<u>\$2,099,000</u>

l. Allocated Costs

The Authority provides certain administrative services to its various funds. The cost of these services is allocated to the funds based on estimates of benefits provided to the funds.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

1. Organization and Significant Accounting Policies (continued)

m. Reservations of Fund Balances

The general and capital projects fund balances are reserved for continuing appropriations, which are comprised of encumbrances and unencumbered allotment balances. Encumbrances represent outstanding commitments, which generally are liquidated in the subsequent fiscal year.

Unencumbered allotment balances represent amounts that have been released and made available for encumbrance or expenditure and are legally segregated for a specific future use.

n. Risk Management

Liabilities related to certain types of losses (including torts, theft of, damage to, or destruction of assets, errors or omissions, natural disasters and injuries to employees) are reported when it is probable that the losses have occurred and the amount of those losses can be reasonably estimated.

o. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

2. Restatement

During the current year, the Authority restated net assets as of June 30, 2007 to correct certain Federal Low Rent Program balances as follows:

	Business-Type Activities
Net assets as of June 30, 2007, as previously reported	\$ 287,797,419
Additions of:	
Capital assets erroneously expensed	578,905
Unrecorded state allotted appropriations	556,038
Accrued litigation settlement	530,080
Less:	
Accrued expenses	(297,416)
Net Assets as of June 30, 2007, as restated	<u>\$ 289,165,026</u>

3. Budgeting and Budgetary Control

The budget of the Authority is a detailed operating plan identifying estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, services and activities to be provided during the fiscal year, (2) the estimated revenues available to finance the operating plan, and (3) the estimated spending requirements of the operating plan. The budget represents a process through which financial policy decisions are made, implemented and controlled. Revenue estimates are provided to the State Legislature at the time of budget consideration and are revised and updated throughout the fiscal year. Amounts reflected as budgeted revenues in the accompanying Required Supplementary Information – Budgetary Comparison Schedule are estimates as compiled by the Authority and reviewed by the Department of Budget and Finance. Budgeted expenditures are derived primarily from acts of the State Legislature and from other authorizations contained in the State Constitution, the Hawaii Revised Statutes and other specific appropriation acts in various Session Laws of Hawaii.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

3. Budgeting and Budgetary Control (continued)

Expenditures of these appropriated funds are made pursuant to the appropriations in the biennial budget as amended by subsequent supplemental appropriations. Budgetary control is maintained at the departmental level. Budget revisions and interdepartmental transfers may be affected with certain executive and legislative branch approvals.

The general fund and certain special revenue funds have legally appropriated annual budgets. The final legally adopted budget in the accompanying Required Supplementary Information – Budgetary Comparison Schedule represent the original appropriations, transfers and other legally authorized legislative and executive changes.

To the extent not expended or encumbered, general fund and special revenue funds appropriations generally lapse at the end of the fiscal year or grant period for which the appropriations were made. The State Legislature or federal government specifies the lapse dates and any other contingencies that may terminate the authorization for other appropriations. Known lapses occurring in the year of appropriation, if any, are included in the amended budgets, and are netted against revenues in the accompanying Required Supplementary Information – Budgetary Comparison Schedule.

A comparison of both the original budget and the final budget to the actual revenues and expenditures of the general and certain special revenue funds are presented in the accompanying Required Supplementary Information – Budgetary Comparison Schedule. Differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with generally accepted accounting principles (GAAP) are mainly due to revenues and expenditures of unbudgeted funds and the different methods used to recognize resource uses. For budgeting purposes, resource uses are recognized when cash disbursements are made or funds are encumbered.

For financial statements presented in accordance with GAAP, expenditures are recognized when incurred and encumbrances are not reported as resources used.

A summation of the differences between revenues and expenditures reported on the budgetary basis and those reported in accordance with GAAP for the general and certain special revenue funds for the year ended June 30, 2008 is set forth in the Required Supplementary Information.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

4. Cash

The State maintains a cash pool that is available to all funds. The Director of Finance is responsible for the safekeeping of all monies paid into the State Treasury. The Director of Finance may invest any monies of the State, which in the Director's judgment are in excess of the amounts necessary for meeting the immediate requirements of the State. Cash is pooled with funds from other State agencies and departments and deposited with approved financial institutions or invested in the State Treasury Investment Pool. Cash accounts that participate in the investment pool accrue interest based on the average weighted cash balances of each account.

The State requires that the depository banks pledge, as collateral, government securities held in the name of the State for deposits not covered by federal deposit insurance.

At June 30, 2008, total cash reported in the Statement of Net Assets is \$21,597,500, which consisted of the following:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
State pool and petty cash	\$ -	\$ 7,503,466	\$ 7,503,466
Cash in bank (book balance)	<u>5,336,659</u>	<u>8,730,210</u>	<u>14,066,869</u>
	5,336,659	16,233,676	21,570,335
Deposits held in trust	<u>-</u>	<u>27,165</u>	<u>27,165</u>
Total Cash	<u>\$ 5,336,659</u>	<u>\$ 16,260,841</u>	<u>\$ 21,597,500</u>

Bank balance of cash in bank was approximately \$17,122,000, of which \$400,000 was covered by federal depository insurance and \$16,722,000 by collateral held by the pledging financial institution's trust department or agent in the name of the Authority.

5. Note Receivable

The note receivable consists of a \$426,100 uncollateralized promissory note receivable from a developer bearing interest at 9%. On January 1, 2010, the Authority has the option to acquire certain improvements constructed by the developer. If the Authority does not exercise the option, the entire principal balance and accrued interest as of January 1, 2010 shall be paid over a period of 15 years in monthly installments necessary to fully amortize the outstanding amount of this note.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

6. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 2,373,410	\$ -	\$ -	\$ 2,373,410
Construction in progress	9,628,802	5,791,144	(3,777,816)	11,642,130
Total capital assets not being depreciated	12,002,212	5,791,144	(3,777,816)	14,015,540
Capital assets, being depreciated:				
Building and improvements	42,783,626	5,277,816	-	48,061,442
Equipment	1,197,769	-	-	1,197,769
Total capital assets being depreciated	43,981,395	5,277,816	-	49,259,211
Less accumulated depreciation for:				
Building and improvements	20,245,045	2,097,980	-	22,343,025
Equipment	1,102,641	16,341	-	1,118,982
Total accumulated depreciation	21,347,686	2,114,321	-	23,462,007
Governmental activities, net	<u>\$ 34,635,921</u>	<u>\$ 8,954,639</u>	<u>\$ (3,777,816)</u>	<u>\$ 39,812,744</u>
	(As Restated)			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 22,972,800	\$ -	\$ -	\$ 22,972,800
Construction in progress	29,732,927	6,507,357	(12,484,876)	23,755,408
Total capital assets not being depreciated	52,705,727	6,507,357	(12,484,876)	46,728,208
Capital assets being depreciated:				
Building and improvements	474,327,830	13,314,399	-	487,642,229
Equipment	10,346,735	107,854	(169,968)	10,284,621
Total capital assets being depreciated	484,674,565	13,422,253	(169,968)	497,926,850
Less accumulated depreciation for:				
Building and improvements	253,537,389	12,056,366	(169,968)	265,423,787
Equipment	9,071,107	334,210	-	9,405,317
Total accumulated depreciation	262,608,496	12,390,576	(169,968)	274,829,104
Business-type activities capital assets, net	<u>\$ 274,771,796</u>	<u>\$ 7,539,034</u>	<u>\$ (12,484,876)</u>	<u>\$ 269,825,954</u>

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

6. Capital Assets (continued)

Current-period depreciation expense was charged to function as follows:

Governmental Activities	
Homeless Service and Assistance Program	\$ 83,007
Rental Housing and Assistance Program	<u>2,031,314</u>
Total depreciation expense – governmental activities	<u>2,114,321</u>
Business-Type Activities	
Federal Low Rent Program	9,578,594
Housing Revolving Fund	385,615
Housing for Elders Revolving Fund	1,385,986
Others	<u>1,040,381</u>
Total depreciation expense – business-type activities	<u>12,390,576</u>
Total depreciation expense	<u><u>\$ 14,504,897</u></u>

At June 30, 2008, capital assets for the proprietary funds consisted of the following:

	Proprietary Fund Type						Total
	Enterprise Funds			Internal Service			
	Federal Low-Rent Fund	Housing Revolving Fund	Housing for Elders Revolving Fund	Other Funds	Equipment Rental	Vehicle Rental	
Land	\$ 13,093,629	\$ 2,252,881	\$ 6,104,817	\$ 1,521,473	\$ -	\$ -	\$ 22,972,800
Buildings and Improvements	386,354,704	18,733,288	54,945,545	27,608,692	-	-	487,642,229
Equipment, furniture and fixtures	6,932,156	252,521	208,356	865,277	1,517,824	508,487	10,284,621
Construction in Progress	<u>23,755,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,755,408</u>
Less accumulated Depreciation	<u>233,965,197</u>	<u>9,203,877</u>	<u>20,028,005</u>	<u>9,701,483</u>	<u>1,506,370</u>	<u>424,172</u>	<u>274,829,104</u>
Net property and Equipment	\$ 196,170,700	\$ 12,034,813	\$ 41,230,713	\$ 20,293,959	\$ 11,454	\$ 84,315	\$ 269,825,954

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

7. Mortgage and Note Payable

The Banyan Street Manor Project entered into a mortgage note agreement in October 1976 in the amount of \$1,727,800 with USGI, Inc. (insured by HUD). On September 1, 1996, Greystone Servicing Authority, Inc. (GSCI) became the new servicing agent and mortgagee. The mortgage loan bears interest at 7.5 percent and is collateralized by the rental property. Principal and interest are payable in monthly installments of \$11,370, maturing January 1, 2018. At June 30, 2008, the mortgage payable balance was \$335,673. During the current year principal payments of approximately \$70,000 were paid.

The note payable amounting to \$171,327 is an unsecured promissory note payable to an individual (the former owner of Banyan Street). The entire principal balance plus accrued interest, which accrues at the same rate as the residual receipt funds held by GSCI, Inc. (approximately 1.0 percent for the year ended June 30, 2008), is due within 45 days of full payment of the 7.5 percent GSCI, Inc. mortgage note collateralized by HUD which matures on January 1, 2018.

8. Leases

a. Lease Commitments

The Authority leases land under noncancellable operating lease expiring at 2028. The land lease for the Banyan Street Manor Project contains the option to purchase the fee-simple interest in the land at any time for a specified percentage of fair market value at the time of purchase.

The minimum rental commitment under an operating lease for Ke Kumu at Waikoloa Project is \$92,000 for 2009. Related rental expense for the year ended June 30, 2008 totaled approximately \$185,000.

9. Commitments and Contingencies

a. Construction Contracts

At June 30, 2008, the Federal Low Rent Program fund had outstanding commitments to expend approximately \$6,867,000 for the construction and renovation of housing projects.

The General Fund, Capital Projects Fund and the Fiduciary Fund had outstanding construction contract commitments of approximately \$66,000, \$9,323,000 and \$608,000, respectively at June 30, 2008.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

9. Commitments and Contingencies (continued)

b. Torts

The Authority is involved in various actions, the outcome of which, in the opinion of management and the Attorney General, will not have a material adverse effect on the Authority's financial position except for the OHA lawsuit described below. Losses, if any, are either covered by insurance or will be a liability against the State of Hawaii.

c. Workers' Compensation Policy

The Authority has a retrospectively rated workers' compensation insurance policy. Based on available claim experience information, the minimum premium accrued for financial statement reporting purposes approximates the Authority's ultimate workers' compensation cost.

d. Accumulated Sick Leave Pay

Sick leave accumulates at the rate of one and three-quarters working days for each month of service without limitation. It may be taken only in the event of illness and is not convertible to pay upon termination of employment. However, a State employee who retires or leaves government service in good standing with 60 days or more of unused sick leave is entitled to additional service credit in the Employees' Retirement System of the State of Hawaii (ERS). Accumulated sick leave at June 30, 2008 amounted to approximately \$5,058,000.

e. Deferred Compensation Plan

In 1984, the State established a deferred compensation plan, which enables State employees to defer a portion of their compensation. The State Department of Human Resources Development has the fiduciary responsibility of administering the plan. Deferred compensation is not available to employees until termination, retirement, death or an unforeseeable emergency.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit)

The lands transferred to the United States by the Republic of Hawaii at Hawaii's annexation to the United States in 1898 are commonly referred to as the ceded lands. Upon Hawaii's admission to the Union in 1959, title to ceded lands still held by the United States and to lands, which the United States acquired, by exchange for ceded lands after 1898 was conveyed by the United States to the State of Hawaii. Section 5 of the Admission Act expressly provided that those lands were to be held by the State as a public trust. Certain rental housing projects of the Authority are situated on parcels of land, which are to be held by the State as a public trust under Section 5.

In 1979, the State legislature (the "Legislature") adopted HRS Chapter 10 ("Chapter 10,"), which, as amended in 1980, specified, among other things, that OHA expend 20 percent of all funds derived by the State from the Ceded Lands for the betterment of Native Hawaiians.

In 1987, in *Trustees of the Office of Hawaiian Affairs v. Yamasaki*, 69 Haw. 154 (1987) ("Yamasaki"), the Hawaii Supreme Court concluded that Chapter 10 was insufficiently clear regarding the amount of monies OHA was entitled to receive from the public trust lands.

In 1990, in response to Yamasaki, the Legislature adopted Act 304, Session Laws of Hawaii 1990, which (i) defined "public land trust" and "revenue," (ii) reiterated that 20 percent of the now defined "revenue" derived from the "public land trust" was to be expended by OHA for the betterment of native Hawaiians, and (iii) established a process for OHA and the Director of Finance of the State jointly to determine the amount of monies which the State would pay OHA to retroactively settle all of OHA's claims for the period June 16, 1980 through June 30, 1991. Since fiscal year 1992 and until the first quarter of fiscal year 2002, the State, through its departments and agencies paid 20 percent of "revenues" to OHA on a quarterly basis.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation (continued)

OHA et al. v. State of Hawaii, Civil No. 94-0205-01 (First Circuit) (continued)

On January 14, 1994, OHA filed suit against the State alleging that the State failed to properly account for and fully pay the pro rata share of proceeds and income derived from the lands of public trust established by the Admission Act and the 1978 amendments to the State Constitution. OHA seeks an accounting of all proceeds and income, funds and revenues derived from the lands since 1978, and restitution or damages amounting to 20 percent of the proceeds and income derived from (a) the lands since November 7, 1978, (b) the lands since June 16, 1980, and (c) the lands under Act 304, Session Laws of Hawaii 1990, as well as interest thereon. The State has denied all of OHA's substantive allegations, and asserted its sovereign immunity from suit and other jurisdictional and claim-barring defenses.

In May 1996, OHA filed four motions for partial summary judgment as to the State's liability to pay OHA 20 percent of monies from four specific sources, including rental housing projects of the Authority situated on public trust lands. The State opposed those four motions. The State also filed a motion to dismiss on sovereign immunity grounds.

On October 24, 1996, the Circuit Court of the First Circuit of the State of Hawaii (First Circuit Court) denied the State's motion to dismiss and granted OHA's four motions for partial summary judgment. The State has filed an interlocutory appeal to the Hawaii Supreme Court from both orders. All other proceedings have been stayed pending the Hawaii Supreme Court's disposition of the appeal.

OHA's complaint and motions do not specify the State's alleged failures, nor do they state the dollar amount of the claims. The First Circuit Court's October 24, 1996 order granting OHA's motions for partial summary judgment did not determine the amounts owing. The basis and methodology for calculating any such amount are being disputed. OHA has not provided complete information for its claims for the period from 1981 through 1991, and has provided no information as to its claims for the period from 1991 to the present. The expert witness retained by OHA in this case has estimated that the State's potential liability for the four sources specified in OHA's summary judgment motions for the years 1981 through 1991 (but not thereafter) to be not less than \$178,000,000, of which approximately \$9,200,000 is related to gross rental income derived by the Authority.

On June 30, 1997, the Governor approved Act 329, Session Laws of Hawaii, 1997. The purpose of this Act was to achieve a comprehensive, just and lasting resolution of all controversies relating to the proper management and disposition of the lands subject to public

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation (continued)

OHA et al. v. HHA et al., Civil No. 95-2682-07 (First Circuit) (continued)

trust, and of the proceeds and income, which the lands generate. The Act also fixes the amount of proceeds and income OHA will receive during the two-year period at \$15.1 million per year, and requires the completion, continued maintenance, and use of a comprehensive inventory of the public trust lands.

On September 12, 2001 the Hawaii Supreme Court concluded by holding that Act 304 was effectively repealed by its own terms, and that there was no judicial management standard, by which to determine whether OHA was entitled to the revenues it sought because the repeal of Act 304 revived the law which the court in Yamasaki had previously concluded was insufficiently clear to establish how much OHA was entitled to receive. The Supreme Court dismissed this case for lack of justiciability. Immediately thereafter, agencies ceased paying OHA any receipts from the ceded lands.

The Legislature took no action during the 2002 and 2003 legislative sessions to establish a new mechanism for establishing how much OHA was to receive. On January 23, 2003, and pending legislative action to establish such a mechanism, the Governor issued Executive Order No. 03-03 directing state agencies to resume transferring receipts from the ceded lands to OHA. During the 2003 legislative session, the Legislature appropriated moneys from the various funds into which the ceded lands receipts had been deposited and directed the agencies to pay them to OHA. During the 2004 legislative session, the Legislature did not appropriate any moneys from the various funds. OHA continues to pursue its claims for a portion of the revenues from the ceded lands.

OHA et al. v. HHA et al., Civil No. 95-2682-07 (First Circuit)

On July 27, 1995, OHA filed suit against the Hawaii Housing Authority and the State Director of Finance to secure additional compensation and an itemized accounting of the sums previously paid to OHA for five specifically identified parcels of ceded lands, which were transferred to the Authority for rental housing projects. On January 11, 2000, all proceedings in this suit were stayed pending the Hawaii Supreme Court's decision in the State's appeal.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

9. Commitments and Contingencies (continued)

f. Litigation (continued)

OHA et al. v. HHA et al., Civil No. 95-2682-07 (First Circuit) (continued)

The State's potential liability, if any, therefore, may be determined either (1) by the ruling by the Hawaii Supreme Court on the State's interlocutory appeal and, if such ruling is adverse to the State, the conclusion of any subsequent trial and related appeals, or (2) by legislation enacted as a result of the process set out in Act 329. Given all of the above, and the uncertain timing of any final disposition of the case, the State is not able to predict either the ultimate outcome of the case, or the magnitude of its potential liability, if any, with any reasonable certainty. A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the State's financial condition.

A legislative resolution or judicial decision adverse to the State could have a material adverse effect on the Authority's financial condition if an adverse resolution or decision against the State includes liability for gross rental income derived by the Authority from rental housing projects situated on lands in the public trust and the liability is imposed upon the Authority.

However, the ultimate outcome of the litigation and its effect on the Authority, if any, cannot be determined. Accordingly, no estimate of loss has been made in the accompanying statement of net assets of the Authority.

g. Memorandum of Agreement with HUD

In accordance with the provisions of its Low Rent Public Housing Annual Contribution Contract with HUD, if the Authority's performance evaluation results in a designation as a "troubled" public housing agency, as defined by the provisions of Public Housing Assessment System (PHAS) as codified at 24 CFR Part 902, the Authority must enter into a binding contractual agreement designated as a Memorandum of Agreement (MOA) with HUD for the purpose of improving its performance.

On September 30, 2004, the Authority and HUD entered into an MOA, thereby requiring the Authority to comply with certain terms and conditions, including but not limited to meeting certain performance targets, implementing prescribed strategies, and meeting certain timelines for improvement, including written progress reports.

On November 22, 2005, HUD removed the "troubled" agency status noting that the Authority made significant progress in achieving the targets and strategies under the MOA. The Authority received a PHAS score of 73 points out of 100 points.

Hawaii Public Housing Authority

Notes to Financial Statements

June 30, 2008

10. Retirement Plan

a. Plan Description

All eligible employees of the State and Counties are required by Chapter 88 of the Hawaii Revised Statutes to become members of the Employees' Retirement System of the State of Hawaii (ERS), a cost-sharing multiple-employer public employee retirement plan. The ERS provides retirement benefits as well as death and disability benefits. The ERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for ERS. That report may be obtained from ERS.

The ERS consists of a contributory plan and a noncontributory plan. Employees covered by Social Security on June 30, 1984 were given the option of joining the noncontributory plan or remaining in the contributory plan. All new employees hired after June 30, 1984, who are covered by Social Security, are generally required to join the noncontributory plan. Both plans provide a monthly retirement allowance based on the employee's age, years of credited service, and average final compensation (AFC). The AFC is the average salary earned during the five highest paid years of service, including the vacation payment, if the employee became a member prior to January 1, 1971. The AFC for members hired on or after this date is based on the three highest paid years of service excluding the vacation payment. All benefits vest after five and ten years of credited service for the contributory and noncontributory plans, respectively. All contributions, benefits and eligibility requirements are governed by Chapter 88.

b. Funding Policy

Most covered employees of the contributory plan are required to contribute 7.8 percent of their salary. Police officers, firefighters, investigators of the department of the prosecuting attorney and the attorney general, narcotics enforcement investigators, and public safety investigators are required to contribute 12.2 percent of their salary. The actuarial cost or funding method used to calculate the total employer contribution required is the entry age normal actuarial cost method. Under this method, the total employer contributions to the ERS is comprised of normal cost plus level annual payments required to amortize the unfunded actuarial accrued liability over the closed period ending June 30, 2029.

The Authority's contribution was approximately \$1,589,000 for the year ended June 30, 2008.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

11. Other Post Retirement Employee Benefits

The Authority contributes to the Employers Union Trust Fund (EUTF), an agent multiple-employer defined benefit plan that replaced the Hawaii Public Employees Health Fund effective July 1, 2003, pursuant to Act 88, SLH of 2001. The EUTF was established to provide a single delivery system of health benefits for state and county workers, retirees, and their dependents. The eligibility requirements for retiree health benefits are as follows:

For employees hired before July 1, 1996, the Authority pays the entire base monthly contribution for employees retiring with 10 years or more of credited service, and 50% of the base monthly contribution for employees retiring with fewer than ten years of credited service. A retiree can elect family plan to cover dependents.

For employees hired after June 30, 1996 but before July 1, 2001, and who retire with at less than 10 years of service, the Authority makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the Authority pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service, the Authority pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the Authority pays 100% of the base monthly contribution. Retirees in this category can elect family plan to cover dependents.

For employees hired on or after July 1, 2001, and who retire with less than 10 years of service, the Authority makes no contributions. For those retiring with at least 10 years but fewer than 15 years of service, the Authority pays 50% of the base monthly contribution. For those retiring with at least 15 years but fewer than 25 years of service the Authority pays 75% of the base monthly contribution. For those employees retiring with at least 25 years of service, the Authority pays 100% of the base monthly contribution. Only single plan coverage is provided for retirees in this category. Retirees can elect family coverage but must pay the difference.

The Authority contributed approximately \$775,000, \$813,000 and \$990,000 for the fiscal years 2008, 2007 and 2006, respectively.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

11. Other Post Retirement Employee Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

It is the State's policy that measurement of the actuarial valuation and the annual required contribution (ARC) are made for the state as a whole and are not separately computed for the individual state departments and agencies such as the Authority. The state allocates the ARC to the various departments and agencies based upon a systematic methodology. The Authority's contribution for the year ended June 30, 2008 was \$990,465, which represented 36% of the Corporation's share of the ARC for postretirement healthcare and life insurance benefits of \$2,755,421.

The following is a summary of changes in postretirement liability during the fiscal year ended June 30, 2008:

Balance at June 30, 2007	\$ -
Additions	2,755,421
Deletions	<u>(990,465)</u>
Balance at June 30, 2008	<u>\$ 1,764,956</u>

The State's CAFR includes the required footnote disclosure and required supplementary information on the State's post-retirement health care and life insurance benefit plans.

12. Related Party Transactions

The Housing Voucher Programs provide rent subsidies to certain lessees of the Hawaii Housing Finance Development Corporation's (HFDC) various projects. Total rent subsidies provided to lessees of the HFDC's various projects approximated \$369,000 during the year ended June 30, 2008. Also, HFDC's Rental Assistance Program provides rent subsidies to certain lessees of the Authority's various projects, which amounted to approximately \$54,000. These amounts have been recorded by the Authority as rental income in the Wilikina Apartments Project and Kekumu at Waikoloa Project.

Also, the Authority has a receivable due from HFDC for property insurance expense for approximately \$280,000 as of June 30, 2008.

Hawaii Public Housing Authority

Notes to Financial Statements
June 30, 2008

13. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2008 is as follows:

Due from	Housing Voucher Program	Section 8	Federal Low Rent Program	Housing Revolving Fund	Housing For Elders Revolving Fund	Nonmajor – Proprietary
General Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,634
Housing Choice Voucher Program	-	-	718	-	-	1,326,745
Section 8 Contract Administration	-	-	797	-	-	124,979
Federal Low-Rent Program	-	-	-	-	-	3,575,596
Housing Revolving Fund	-	-	1,693	-	-	-
Housing for Elders Revolving Fund	-	-	-	-	-	436,728
Internal Services	-	-	-	-	-	70,673
Nonmajor – Proprietary	1,705,000	458,499	3,224,165	1,047,415	130,667	65,847
Nonmajor – Government	-	-	-	-	-	13,448
Total	<u>\$ 1,705,000</u>	<u>\$ 458,499</u>	<u>\$ 3,227,373</u>	<u>\$ 1,047,415</u>	<u>\$ 130,667</u>	<u>\$ 5,833,650</u>

The interfund receivable and payable balances are due to interfund goods or services provided or reimbursable expenditures and payments between funds.

14. Operating Transfers

In accordance with Act 43 SLH 2008 and Act 213 SLH 2007, the State of Hawaii released emergency appropriations in the amounts of approximately \$3,068,000 and \$5,180,000, respectively, to the Authority. Approximately, \$7,779,000 of the emergency appropriations was transferred from the General Fund to respective proprietary and special revenue funds to pay for rental housing service shortfalls.

In addition, approximately \$512,000 of Capital Projects fund was expended for the benefit of certain properties under the Federal Low Rent Fund and has been reflected in the financial statements as operating transfers.

15. Subsequent Events

Subsequent to year-end, the Authority was named as a defendant in a lawsuit regarding the living conditions at Kuhio Park Terrace. The lawsuit is in its discovery stage as such its outcome is not determinable.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2008

	General Fund		
	Original budget	Final budget	Budgetary Actual
Revenues -			
State allotted appropriations	\$ 29,203,816	\$ 31,771,771	\$ 28,172,496
Expenditures:			
Homeless service and assistance program	17,776,608	17,276,608	13,988,904
Rental housing and assistance program	11,427,208	11,427,208	11,115,637
Emergency Appropriation	-	3,067,955	3,067,955
REVENUES EQUALS			
EXPENDITURES	\$ -	\$ -	\$ -
	Housing Voucher Program		
	Original budget	Final budget	Budgetary Actual
Revenues -			
HUD contributions	\$ 20,327,896	\$ 21,323,703	\$ 21,596,567
Expenditures -			
Rental housing and assistance program	20,327,896	21,323,703	18,682,673
EXCESS OF REVENUES			
OVER EXPENDITURES	\$ -	\$ -	\$ 2,913,894

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
MAJOR GOVERNMENTAL FUNDS (continued)

Year ended June 30, 2008

Section 8 Contract Administration			
	Original budget	Final budget	Budgetary Actual
Revenues			
HUD contributions	\$ 27,374,925	\$ 25,797,618	\$ 21,320,092
Expenditures			
Rental housing and assistance program	27,374,925	25,797,618	21,072,810
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	\$ 247,282

See accompanying independent auditor's report.

Hawaii Public Housing Authority

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE -
BUDGET-TO-GAAP RECONCILIATION

Year ended June 30, 2008

	<u>General Fund</u>	<u>Housing Voucher Program</u>	<u>Section 8 Contract Administration</u>
Excess of revenues over expenditures and other sources and uses - actual on budgetary basis	\$ -	\$ 2,913,894	\$ 247,282
Reserve for encumbrance at year end*	5,789,887	-	-
Expenditures for liquidation of prior year's encumbrances	(11,863,015)	-	-
Reversion of prior year's allotments	(105,079)	-	-
Accrual adjustments and other	<u>1,105,506</u>	<u>206,457</u>	<u>92,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES - US GAAP BASIS	<u>\$ (5,072,701)</u>	<u>\$ 3,120,351</u>	<u>\$ 340,013</u>

* Amount reflects the encumbrance balance included in continuing appropriation.

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS

June 30, 2008

ASSETS	Shelter Plus Care	HOPWA Program	Emergency Shelter Program	ROSS	Supportive Housing Program	Boys and Girls Club	Total
Current Assets							
Cash	\$ 36	\$ 27	\$ 26	\$ 23	\$ 50	\$ 4	\$ 166
Due from HUD	146,827	14,717	123,517	3,673	7,927	4,036	300,697
TOTAL ASSETS	<u>\$ 146,863</u>	<u>\$ 14,744</u>	<u>\$ 123,543</u>	<u>\$ 3,696</u>	<u>\$ 7,977</u>	<u>\$ 4,040</u>	<u>\$ 300,863</u>
LIABILITIES AND FUND BALANCES							
Current Liabilities							
Accounts payable	\$ 146,827	\$ 13,936	\$ 122,015	\$ -	\$ 4,471	\$ -	\$ 287,249
Due to other funds	-	781	1,502	3,673	3,456	4,036	13,448
Due to HUD	36	27	26	23	50	4	166
Total current liabilities	146,863	14,744	123,543	3,696	7,977	4,040	300,863
Fund Balance - Unreserved	-	-	-	-	-	-	-
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 146,863</u>	<u>\$ 14,744</u>	<u>\$ 123,543</u>	<u>\$ 3,696</u>	<u>\$ 7,977</u>	<u>\$ 4,040</u>	<u>\$ 300,863</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2008

	Shelter Plus Care	HOPWA Program	Emergency Shelter Program	ROSS	Supportive Housing Program	Boy and Girls Club	Total
Revenue							
Intergovernmental – HUD annual contributions and others	\$ 574,485	\$ 157,518	\$ 314,408	\$ 29,628	\$ 89,537	\$ 90,900	\$ 1,256,476
Expenditure - Administration	574,485	157,518	314,408	29,628	89,537	90,900	1,256,476
NET CHANGE IN FUND BALANCES	-	-	-	-	-	-	-
Fund Balance at July 1, 2007	-	-	-	-	-	-	-
Fund Balance at June 30, 2008	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF NET ASSETS – NONMAJOR OTHER ENTERPRISE FUNDS

June 30, 2008

ASSETS	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Current Assets							
Cash	\$ 1,063,621	\$ -	\$ 415,483	\$ 10,597	\$ 2,028,811	\$ 280,697	\$ 3,799,209
Receivables							
Accrued interest	-	-	-	-	-	-	-
Tenant receivables, less allowance for doubtful accounts	38,219	295	-	4,062	-	68,226	110,802
Other	1,500	111	107,022	-	-	-	108,633
	<u>39,719</u>	<u>406</u>	<u>107,022</u>	<u>4,062</u>	<u>-</u>	<u>68,226</u>	<u>219,435</u>
Due from other funds	20,000	-	-	-	5,813,650	-	5,833,650
Due from other state agencies	-	-	-	-	726,003	-	726,003
Inventories	-	-	-	-	-	-	-
Prepaid expenses and other assets	-	63,392	-	-	-	-	63,392
Deposits held in trust	-	-	-	27,165	-	-	27,165
Total current assets	<u>1,123,340</u>	<u>63,798</u>	<u>522,505</u>	<u>41,824</u>	<u>8,568,464</u>	<u>348,923</u>	<u>10,668,854</u>
Restricted Deposits and Funded Reserves	-	1,979,405	5,937,609	-	-	-	7,917,014
Capital Assets, less accumulated depreciation	<u>1,187,757</u>	<u>2,960,572</u>	<u>4,733,206</u>	<u>-</u>	<u>-</u>	<u>11,412,424</u>	<u>20,293,959</u>
TOTAL ASSETS	<u>\$ 2,311,097</u>	<u>\$ 5,003,775</u>	<u>\$ 11,193,320</u>	<u>\$ 41,824</u>	<u>\$ 8,568,464</u>	<u>\$ 11,761,347</u>	<u>\$ 38,879,828</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF NET ASSETS – NONMAJOR OTHER ENTERPRISE FUNDS (continued)

June 30, 2008

	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts payable	\$ 15,080	\$ 70,068	\$ 18,471	\$ 3,402	\$ 1,752,626	\$ -	\$ 1,859,647
Accrued expenses - other	738	-	12,276	514,736	-	54,086	581,836
Due to other funds	14,693	74,062	15,778	393,499	6,082,247	51,314	6,631,593
Due to other state agencies	-	-	-	-	58,985	-	58,985
Due to State of Hawaii	-	-	-	-	571,402	-	571,402
Due to HUD	-	1,901	12,659	-	-	-	14,560
Security deposits	22,375	9,634	19,741	27,165	-	11,109	90,024
Other	-	-	22,726	-	105,280	-	128,006
Total current liabilities	52,886	155,665	101,651	938,802	8,570,540	116,509	9,936,053
Mortgage Payable, net of current portion	-	506,741	-	-	-	-	506,741
Net Assets							
Invested in capital assets, net of related debt	1,187,757	2,453,831	4,733,206	-	-	11,412,424	19,787,218
Restricted by legislation and contractual agreements	-	1,979,405	5,937,609	-	-	-	7,917,014
Unrestricted	1,070,454	(91,867)	420,854	(896,978)	(2,076)	232,414	732,801
Total net assets	2,258,211	4,341,369	11,091,669	(896,978)	(2,076)	11,644,838	28,437,033
TOTAL LIABILITIES AND NET ASSETS	\$ 2,311,097	\$ 5,003,775	\$ 11,193,320	\$ 41,824	\$ 8,568,464	\$ 11,761,347	\$ 38,879,828

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF REVENUES AND EXPENSES – NONMAJOR OTHER ENTERPRISE FUNDS

Year ended June 30, 2008

	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Operating Revenues							
Rental	\$ 198,670	\$ 247,331	\$ 467,838	\$ 310,675	\$ -	\$ 426,639	\$ 1,651,153
Other	-	8,001	95,866	8,841	-	-	112,708
Total operating revenues	198,670	255,332	563,704	319,516	-	426,639	1,763,861
Operating Expenses							
Personnel services	2,827	-	-	106,562	-	137,196	246,585
Depreciation	52,205	140,392	309,108	-	-	496,192	997,897
Administration	8,238	177,928	238,160	399,388	-	136,189	959,903
Professional services	-	-	-	3,797	-	1,930	5,727
Insurance	-	14,225	22,738	77,462	-	3,692	118,117
Repairs and maintenance	133,784	73,866	250,817	55,370	-	41,353	555,190
Utilities	9,611	56,718	108,685	96,464	-	147,567	419,045
Other	4,326	9,062	15,778	-	126,026	-	155,192
Total operating expenses	210,991	472,191	945,286	739,043	126,026	964,119	3,457,656
Operating (loss) income	(12,321)	(216,859)	(381,582)	(419,527)	(126,026)	(537,480)	(1,693,795)
Nonoperating Revenues (Expenses)							
Interest income - cash and investments	36,462	-	296,293	-	-	173	332,928
Interest expense	3,402	(21,701)	-	-	-	-	(18,299)
Total nonoperating revenues (expenses)	39,864	(21,701)	296,293	-	-	173	314,629
Income (loss)	27,543	(238,560)	(85,289)	(419,527)	(126,026)	(537,307)	(1,379,166)
CHANGE IN NET ASSETS	\$ 27,543	\$ (238,560)	\$ (85,289)	\$ (419,527)	\$ (126,026)	\$ (537,307)	\$ (1,379,166)

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CHANGES IN FUND NET ASSETS – NONMAJOR OTHER ENTERPRISE FUNDS

Year ended June 30, 2008

	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Net Assets at July 1, 2007	\$ 2,230,668	\$ 4,579,929	\$ 11,176,958	\$ (477,451)	\$ 123,950	12,182,145	\$ 29,816,199
Change in Net Assets	27,543	(238,560)	(85,289)	(419,527)	(126,026)	(537,307)	(1,379,166)
Net Assets at June 30, 2008	<u>\$ 2,258,211</u>	<u>\$ 4,341,369</u>	<u>\$ 11,091,669</u>	<u>\$ (896,978)</u>	<u>\$ (2,076)</u>	<u>\$ 11,644,838</u>	<u>\$ 28,437,033</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS

Year ended June 30, 2008

	Teacher Housing Revolving Fund	Banyan Street Manor Project	Waiikina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Cash Flows from Operating Activities							
Cash received from renters	\$ 198,670	\$ 246,569	\$ 466,461	\$ 310,675	\$ -	\$ 421,364	\$ 1,643,739
Cash payments to employees	(2,827)	-	-	(106,562)	-	(137,196)	(246,585)
Cash payments to suppliers	(154,859)	(295,026)	(617,035)	(600,412)	(446,052)	(294,728)	(2,408,112)
Cash receipts from other funds	7,728	74,062	15,778	393,499	3,811,051	2,737	4,304,855
Other cash (payments) receipts	(4,326)	8,001	(11,156)	8,841	105,280	-	106,640
Net cash provided by (used in) operating activities	44,386	33,606	(145,952)	6,041	3,470,279	(7,823)	3,400,537
Cash Flows from Noncapital Financing Activities							
Interest paid to Department of Budget and Finance	3,402	-	-	-	(878,445)	-	(875,043)
Cash payments to other state agencies	-	-	-	-	(667,018)	-	(667,018)
Net cash provided by (used in) noncapital financing activities	3,402	-	-	-	(1,545,463)	-	(1,542,061)
Cash Flows from Capital and Related Financing Activities							
Payments for acquisition of property and equipment	-	(829,522)	(49,035)	-	-	-	(878,557)
Principal payments on mortgage loans	-	(69,260)	-	-	-	-	(69,260)
Interest payments	-	(21,701)	-	-	-	-	(21,701)
Net cash used in capital and related financing activities	-	(920,483)	(49,035)	-	-	-	(969,518)
Cash Flows from Investing Activities							
Receipts of interest	42,943	-	296,293	-	-	173	339,409
Net decrease (increase) in restricted deposits and funded reserves	-	462,413	(379,114)	1,118	-	-	84,417
Net cash provided by (used in) investing activities	42,943	462,413	(82,821)	1,118	-	173	423,826
NET INCREASE (DECREASE) IN CASH	90,731	(424,464)	(277,808)	7,159	1,924,816	(7,650)	1,312,784
Cash at July 1, 2007	972,890	424,464	693,291	3,438	103,995	288,347	2,486,425
Cash at June 30, 2008	\$ 1,063,621	\$ -	\$ 415,483	\$ 10,597	\$ 2,028,811	\$ 280,697	\$ 3,799,209

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – NONMAJOR OTHER ENTERPRISE FUNDS (continued)

Year ended June 30, 2008

	Teacher Housing Revolving Fund	Banyan Street Manor Project	Wilkina Apartments Project	Kekumu at Waikoloa Project	Disbursing Fund	KPT Resource Center	Total
Cash Flows from Operating Activities:							
Reconciliation of operating loss to net cash provided by (used in) operating activities:							
Operating loss	\$ (12,321)	\$ (216,859)	\$ (381,582)	\$ (419,527)	\$ (126,026)	\$ (537,480)	\$ (1,693,795)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:							
Depreciation	52,205	140,392	309,108	-	-	496,192	997,897
Changes in assets and liabilities:							
Tenant receivables	-	-	-	-	-	(16,384)	(16,384)
Other receivables	-	-	(107,022)	-	274,111	-	167,089
Due from other funds	-	-	-	393,499	3,024,510	-	3,418,009
Inventories	-	-	-	-	101,007	-	101,007
Prepaid expenses and other assets	(250)	-	-	-	105	-	(145)
Deposits held in trust	-	-	-	(2,073)	-	11,109	9,036
Accounts payable	1,278	36,773	-	-	(637,800)	(10,126)	(609,875)
Other accrued expenses	(4,254)	-	-	32,069	(57,449)	46,129	16,495
Other liabilities	-	-	19,143	-	-	-	19,143
Due to other funds	7,728	74,062	15,778	-	786,541	2,737	886,846
Security deposits	-	(762)	(1,377)	2,073	-	-	(66)
Deferred income	-	-	-	-	105,280	-	105,280
Net cash provided by (used in) operating activities	\$ 44,386	\$ 33,606	\$ (145,952)	\$ 6,041	\$ 3,470,279	\$ (7,823)	\$ 3,400,537

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF NET ASSETS – INTERNAL SERVICE FUNDS

Year ended June 30, 2008

ASSETS	Equipment Rental	Vehicle Rental	Total
Current Assets:			
Cash	\$ 788,364	\$ 447,081	\$ 1,235,445
Accrued interest receivable	2,629	1,446	4,075
Total current assets	790,993	448,527	1,239,520
Capital Assets, less accumulated depreciation	11,454	84,315	95,769
TOTAL ASSETS	<u>\$ 802,447</u>	<u>\$ 532,842</u>	<u>\$ 1,335,289</u>
LIABILITIES AND NET ASSETS			
Current Liability			
Due to other funds	<u>\$ 66,083</u>	<u>\$ 4,590</u>	<u>\$ 70,673</u>
Net Assets:			
Invested in capital assets	11,454	84,315	95,769
Unrestricted	724,910	443,937	1,168,847
Total net assets	<u>736,364</u>	<u>528,252</u>	<u>1,264,616</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 802,447</u>	<u>\$ 532,842</u>	<u>\$ 1,335,289</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF REVENUES AND EXPENSES AND
CHANGES IN FUND NET ASSETS – INTERNAL SERVICE FUNDS

Year ended June 30, 2008

	Equipment Rental	Vehicle Rental	Total
Operating Revenue - Rental	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total operating revenues	-	-	-
Operating Expenses:			
Administration	37,883	-	37,883
Professional services	1,253	1,050	2,303
Depreciation	4,678	37,806	42,484
Capital expenditures	7,421	-	7,421
Other	-	1,631	1,631
Total operating expenses	<u>51,235</u>	<u>40,487</u>	<u>91,722</u>
Operating loss	(51,235)	(40,487)	(91,722)
Nonoperating Revenue - Interest Income	<u>35,898</u>	<u>20,339</u>	<u>56,237</u>
Change in net assets	(15,337)	(20,148)	(35,485)
Net Assets at July 1, 2007	<u>751,701</u>	<u>548,400</u>	<u>1,300,101</u>
Net Assets at June 30, 2008	<u>\$ 736,364</u>	<u>\$ 528,252</u>	<u>\$ 1,264,616</u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

COMBINING STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUNDS

Year ended June 30, 2008

	Equipment Rental	Vehicle Rental	Total
Cash Flows from Operating Activities:			
Cash receipts from other funds	\$ 46,557	\$ 2,681	\$ 49,238
Other cash payments	<u>(46,557)</u>	<u>(2,681)</u>	<u>(49,238)</u>
Net cash provided by operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows From Investing Activity -			
Receipts of interest	<u>35,898</u>	<u>20,339</u>	<u>56,237</u>
Net cash provided by investing activity	<u>35,898</u>	<u>20,339</u>	<u>56,237</u>
NET INCREASE IN CASH	35,898	20,339	56,237
Cash at July 1, 2007	<u>752,466</u>	<u>426,742</u>	<u>1,179,208</u>
Cash at June 30, 2008	<u><u>\$ 788,364</u></u>	<u><u>\$ 447,081</u></u>	<u><u>\$ 1,235,445</u></u>
Cash Flows from Operating Activities:			
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (51,235)	\$ (40,487)	\$ (91,722)
Adjustments to reconcile operating loss to net cash provided by operating activities -			
Depreciation	4,678	37,806	42,484
Changes in assets and liabilities -			
Accounts payable	-	-	-
Due from other funds	<u>46,557</u>	<u>2,681</u>	<u>49,238</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying independent auditor's report.

Hawaii Public Housing Authority

RECONCILIATION OF CASH

June 30, 2008

The Authority's cash consists of the following as of June 30, 2008:

Equity in State Treasury investment pool - Gov't Wide	\$ 7,503,466
Equity in State Treasury investment pool - Fiduciary Funds	610,715
Cash in banks	14,066,869
Deposits held in trust	27,165
	<hr/>
	\$ 22,208,215
	<hr/>

Total cash is in agreement with the State Comptroller's central accounting records as of June 30, 2008, as reconciled below:

	Appropriation symbol	June 30, 2008
Cash in State Treasury		
Special Funds	S-04-337-K	\$ 18,309
	S-05-337-K	20,773
	S-07-337-K	89,168
	S-08-337-K	1,821,534
	S-00-308-K	8,789
	S-02-308-K	1,062
	S-03-308-K	1,088
	S-05-308-K	70
	S-06-308-K	-
	S-07-308-K	2,425
	S-08-308-K	156,939
	S-08-304-K	147,990
	S-06-332-K	3,200
	S-07-332-K	160,324
	S-08-332-K	1,587,784
	S-06-210-K	391,209
	S-07-210-K	164,829
	S-08-210-K	499,392
	S-07-310-K	2,240
	S-08-310-K	113,842
	S-08-334-K	920,655
	S-08-336-K	788,365
	S-08-335-K	447,080
Trust Funds	T-06-927-K	3,143
	T-07-920-K	607,571
	T-06-913-K	24,225
	T-07-913-K	6,849
	T-08-913-K	104
		<hr/>
Subtotal carried forward		7,988,959

See accompanying independent auditor's report.

Hawaii Public Housing Authority

RECONCILIATION OF CASH (continued)

June 30, 2008

	<u>Appropriation symbol</u>	<u>June 30, 2008</u>
Subtotal brought forward		\$ 7,988,959
Total cash held in State Treasury as reported by State Comptroller's accounting records carried forward		<u>7,988,959</u>
Reconciling items:		
Deposits not recorded by DAGS		218,519
Summary Warrant Vouchers not recorded by DAGS		(89,005)
Other		<u>(4,292)</u>
		125,222
Cash held outside State Treasury:		
Cash in bank		14,066,869
Deposits held in trust		<u>27,165</u>
		<u>14,094,034</u>
Cash on statement of net assets		<u><u>\$ 22,208,215</u></u>

See accompanying independent auditor's report.